

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL NOTE

SB 369 - HB 934

March 15, 2021

SUMMARY OF BILL: Authorizes solar energy systems to enter into leases and power purchase agreements (PPA) with commercial, industrial, and multi-use properties for the use of solar energy.

ESTIMATED FISCAL IMPACT:

Decrease Local Revenue – Exceeds \$100,000/FY21-22 and Subsequent Years

Decrease Local Expenditures –
Exceeds \$20,000/FY21-22 and Subsequent Years

Other Fiscal Impact – Due to the self-sufficient nature of municipally-owned utilities, rates and fees assessed other customers may be increased to cover any decreases in revenue; however, the extent of any increase is unknown.

Assumptions:

- The proposed language would authorize each solar energy system to enter into only one lease or PPA with a commercial, industrial, or multi-use property.
- This analysis assumes:
 - There are currently solar installations throughout the state; however, the solar energy produced is either sold to electric providers, like the Tennessee Valley Authority (TVA), or utilized by the owner of the solar installation;
 - Commercial, industrial, and multi-use property customers are currently connected to the infrastructure of a publicly or privately-owned electric utility;
 - Upon entering into a lease or PPA for power generated by solar energy, such customers will request removal from the electric utility infrastructure as all power will be obtained via solar energy; and
 - Such solar energy systems are privately-owned.
- Customers of utilities are charged a fee to connect to the electric infrastructure and also charged for the amount of energy they utilize each month.
- The proposed language may result in:
 - A decrease in the number of commercial, industrial, multi-use properties connected to and utilizing energy produced by municipally-owned electric utilities;

- A decrease in the amount of power municipally-owned electric utilities need to purchase from TVA annually; and
 - A decrease in revenue received by municipally-owned electric utilities from such customers in the form of connection fees.
- Under current law, Tenn. Code Ann. § 7-34-115, all municipal utility systems are required to be operated as self-sufficient entities, with user charges, rates, and fees established to reflect the actual cost of providing the services rendered.
- A precise recurring decrease in local government revenue is dependent upon the extent of leases and PPAs entered into statewide and the extent that such customers currently pay in fees and rates to municipally-owned electric utilities.
- While the precise recurring decrease in local government revenue cannot be determined due to unknown factors, it is reasonably estimated to exceed \$100,000 statewide annually beginning in FY21-22.
- A precise decrease in local expenditures for a decrease in power purchased from TVA is reasonably estimated to exceed \$20,000 beginning in FY21-22.
- Due to the statutory requirement that municipal utility systems operate in a self-sufficient nature, such entities may attempt to increase rates and fees assessed other customers in an amount sufficient to cover such decreases in revenue. It is unknown the extent in which rates and fees assessed by individual utilities will be increased to cover any change in collections.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

/jh